Social protection in Europe. Report 1997

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PURPOSE: to present the third report on Social Protection in Europe (1997). CONTENT: The report begins by examining the changing context in which social protection systems in the Union are operating, focussing on the main demographic, social and economic developments affecting the need for support. Secondly, it analyses the scale of expenditure on social protection in Member States, its division between different functions and the relative importance of various sources of finance. Thirdly, it considers the weight of social transfers in household income and their contribution to reducing disparities in income between households. Fourthly, it reviews the major changes which have been made to social welfare systems across the Union in recent years, focusing on the period since 1995, when the second report on social protection was published. The report's main quantitative findings: - EU social protection expenditure amounted to 28.5% GDP in 1995, ranging from 20% in Ireland to 36% in Sweden; - old age pensions are by far the largest item of social protection expenditure (42.5% in 1995) followed by healthcare (22%), while transfers to the unemployed only accounted for 8% of expenditure; - in most Member States, the increase in social protection expenditure in relation to GDP has slowed down; - around 65% of social protection expenditure funding comes from social charges on employers (some 40% in 1995) and the people protected, most of the rest from general taxation; - according to the European Community Household Panel (ECHP), a significant proportion of unemployed received no benefit at all in 1993. For those that did, the monthly amount averaged half their net earnings for the months when they were working; - social transfers (excluding benefits in kind such as healthcare) accounted for around 30% of net household income in the EU in 1993. The report outlines recent changes in policy (over the last twenty years): - in many Member States, eligibility for benefit has been tightened; - in several countries, incentives to work have been strengthened through tax concessions for low-paid workers, in-work benefits and reduced benefit rates; - there has been a shift from passive to more active policies aimed at increasing employablity of the unemployed and helping them to find a job; - a number of Member States have extended job creation schemes by selective reductions in social contributions, direct subsidies and making use of the social economy; - the general tendency within Member States' social assistance schemes is to reduce dependency and social exclusion by addressing the underlying causes; - employment opportunities for those with disabilities have been improved in many Member States through deterring discrimination, removing obstacles to them working and tightening benefit eligibility; - measures have been taken in a number of Member States to reverse the trend towards early retirement by tighteningconditions for eligibility for pensions and/or reducing the amount payable; - attempts have been made in some countries to encourage partial retirement by offering a partial pension to people who reduce their hours of work, but so far, except in France, this scheme has not proved popular; - Member States have been adopting measures to adapt to population ageing through pension system reform - namely, raising the official retirement age, especially for women, usually to 65 and linking the pension receivable more closely to the contributions paid over a person's lifetime; - Member States have started to impose ceilings on health expenditure and adopt measures which stress the importance of achieving efficiency in this area; - there is a widespread debate on how far the State should be involved in meeting long-term caring needs; - finally, there is a growing political concern throughout the Union about targeting resources on the most in need which is reflected in the extension of means testing and the imposition of taxes and/or social charges on benefit recipients in order to spread the cost of funding social protection more equitably.